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DIRECTORATE OF  
INTELLIGENCE

# *Central Intelligence Bulletin*

**Secret**

**Nº 40**

State Department review completed

6 March 1971

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Approved For Release 2003/08/26 : CIA-RDP79T00975A018400080001-9

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No. 0056/71  
6 March 1971

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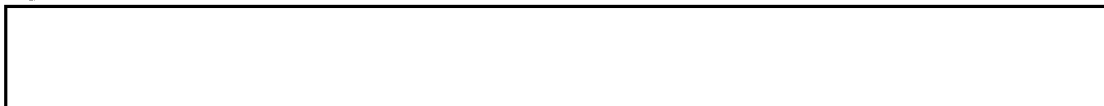
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CHINA-INDOCHINA: Peking appears to have rested its case regarding the threat against China posed by allied operations in southern Laos.

The Chinese occasionally refer to the government statement of 12 February which contained the warning that allied actions in Laos threatened China itself, but they have not directly raised the subject of a "threat" in two weeks. In separate instances during this period, speeches by two Politburo members did not even refer to China's security interests in discussing current military developments in Indochina. In addition, references in Chinese media to the possibility of the US using tactical nuclear weapons in Indochina have virtually ceased since President Nixon's statement ruling out this possibility.

Peking's public reticence on the subject of China's security also suggests that the Chinese have begun to take a more relaxed view of the situation in Laos. [REDACTED]

[REDACTED] Chinese officials in late February apparently did not consider the current level of military activity in Laos a direct threat to China. Recent Chinese statements, moreover, seem to exude more confidence than at any time since the allied operations began that the Indochinese people themselves will prove capable of surmounting the challenge of the new "US war venture."

The apparent change in Peking's attitude toward Laos may be one result of top leadership meetings recently held in Peking. These conferences probably dealt with domestic political problems, and discussions concerning the situation in Indochina were presumably also on the agenda. The two Politburo members apparently attended some of these meetings, and their comments as well as those of Chinese Communist officials in Hong Kong almost certainly reflect current regime thinking on Indochina.

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SOUTH VIETNAM: President Thieu's prospects for reelection may be strengthened by the government's successful fight against inflation.

The USAID index shows that prices in Saigon have risen only one half of one percent since July, whereas prices rose almost 30 percent per year in 1969 and early 1970. The new average rate indicates that government measures are working well, at least for the time being. Prices are still high, but the recent leveling off will help deprive Thieu's critics of one of their most telling issues.

New economic measures to be announced shortly may spark renewed criticism, although probably much less than the wave of unrest that followed the reforms of late 1969. One of these, the removal of large quantities of excess currency from circulation, will help block further inflation and benefit most South Vietnamese citizens.

Thieu has probably also helped his election campaign by exempting government salaries from the income tax. South Vietnamese Government economists objected to this move, but they seem to agree that the tax loss will involve relatively small sums. Whether the new tax exemptions are substantial or not, this measure will strengthen support for Thieu among government cadre, some of whom can be expected to work with greater enthusiasm for his return to office.

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PAKISTAN: President Yahya Khan apparently is making still another effort to find a solution to the mounting tensions between East and West Pakistan.

A major speech by Yahya was to be broadcast to the nation on 6 March at noon (0200 EST). There was no indication of what he would say, with the speculation of observers ranging from announcements of repressive measures in East Pakistan to the convening of the National Assembly. Yahya apparently has flown to Dacca, the capital of East Pakistan, to take personal charge of the situation.

East Pakistani leader Mujibur Rahman probably still plans to demand the "equivalent" of independence--separate constitutions and prime ministers for East and West Pakistan--in his speech scheduled for Sunday.

The general strike in the East, called to protest Yahya's earlier indefinite postponement of the assembly, continued through its fourth day. Violence seems to have lessened in Dacca but, according to unconfirmed press reports, 75 people have been killed in the southern port city of Chittagong.

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**TURKEY:** There is still no word on the whereabouts of the four US airmen who were kidnaped early Thursday morning by five heavily armed leftist revolutionaries on the outskirts of Ankara, and despite the expiration of the ransom deadline, there is still a good chance they eventually will be released unharmed.

Last evening the so-called "People's Liberation Army of Turkey (PLAT)," through the leftist press repeated the earlier demands for \$400,000 ransom, the release of a colleague who had been arrested, and broadcast of the "manifesto" over the Turkish radio. The radio and the domestic Turkish and international press have given the kidnapers and the alleged PLAT much of the publicity and propaganda play they sought as a primary goal. There never were any instructions concerning delivery of the demanded ransom, only the 12-hour extension of the deadline itself. The extremists indicated in the message released through the press that there would be no further announcement until the government announced acceptance of the demands. Letters from the four hostages were also released to the press.

The raid on the Middle East Technical University (METU) campus by several thousand heavily armed gendarmes and police, assisted by army helicopters, failed to turn up the kidnapers or their hostages as hoped. The raid and ensuing search of all campus buildings and the miles of underground tunneling which housed utility lines disrupted one of the major centers of leftist extremism in Turkey. In a seven-hour pitched battle between students and the combined gendarmes-police force, at least two were killed and many were reportedly wounded by gunfire. The students barricaded themselves in the dormitories and fought with guns, Molotov cocktails, and sticks of dynamite that they used as hand grenades. When they were finally subdued and the buildings cleared, nearly 200 students were taken into custody and some

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1,500 others, probably mostly sympathizers rather than activists, were held in the schools gymnasium for interrogation which apparently is still going on.

Acting Foreign Minister Dincer, in a special statement to the Parliament yesterday, charged that the student radicals, by their recent kidnappings and other acts of violence, were trying to destroy the nation's unity and to promote revolution. What action the government will now take in the wake of the abortive METU raid remains unclear.

The kidnapers, realizing their abduction effort has to a large degree backfired, except for its propaganda value, and that they are marked fugitives, may now try to flee the country. They may yet request safe passage to some neighboring country in exchange for the hostages.

Although there have been scattered bombings and other disruptive acts in other parts of Turkey, there has been no mass rallying to the call for rebellion by the PLAT. Parts of the lengthy document were read intermittently over the Turkish radio as demanded by the kidnapers.

If the situation deteriorates further, or the extremists carry through on their threat to "execute" their hostages, limited martial law remains a distinct possibility. Rumors of an imminent declaration of martial law continue to be widespread. Nonetheless, the government will be reluctant to resort to such a move unless there is a marked increase in violence or a growing threat to the government.

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YUGOSLAVIA: The Croatian assembly has unilaterally asserted its right to diverge from federal regulations setting a national wage freeze.

Salary increases in Yugoslavia have been limited until 30 April to a liberal 11 percent under a federal bill passed last December. The measure is a key part of the government's economic stabilization program. Now the Croats have invoked a clause in the law that allows the republics to lift wage restrictions for certain workers if such action can be economically justified. The question of who makes such a determination was left open. In an across-the-board move, Croatia simply increased all below-average wages above the federal level.

The other republics and Belgrade are certain to charge that Croatia--one of the richest Yugoslav republics--is undermining the stabilization program. A serious controversy could further complicate the government's constitutional reforms to grant the republics considerably more autonomy, while reserving to the federal government the power to maintain a unified economic policy. The action might imply that even these reserved powers may come under attack from the ever more-assertive Croats.

Ultimate resolution of the wage issue is likely to come quietly in private party channels, rather than in the more open government forums. [REDACTED]

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BOLIVIA: The seizure on 2 March of government offices in the provincial capital of Santa Cruz by anti-Communist peasants has produced another political problem for the Torres government. Radical political and labor groups have used the turmoil to renew demands for a definition of government policy along leftist lines and for the removal of US Government agencies in Bolivia. President Torres, whose position has never been strong, may decide to accept some of these demands to forestall a nationwide strike that has been threatened by the national labor confederation. He has already replaced the local army commander in reaction to unsupported claims that the peasants were backed by military officers and rightist groups. [REDACTED]

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ARGENTINA: Direct labor-management wage negotiations, the first allowed by the government in over three years, appear doomed to failure. In view of the wide differences separating the two sides, a growing number of unions led by those in metal, textiles, commerce, and banking are talking of withdrawing from the bargaining sessions which began in February. Industry officials, caught between accelerating inflation and price controls, are making minimum offers in the hope that the government will be forced to intervene and set wages and prices as in the past. The government is becoming more inclined to do this in order to restore some credibility to its effort to limit inflation to ten percent this year. [REDACTED]

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IRAN: Tehran will continue to walk a financial tightrope despite increased revenues from last month's oil settlement. The proposed \$6.3-billion budget for the fiscal year beginning 21 March calls for spending to increase 17 percent; about one fourth of the increase is slated for defense. Revenues, including \$1.9 billion from oil, will fall short by \$1.3 billion, causing Iran to expand its borrowing, which already has placed a strain on the country's balance-of-payments and foreign exchange holdings. At the end of 1970, reserves were at a six-year low of about \$210 million, less than the cost of two months' imports.

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